

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 2, 2018/2019

### DFA5028 – FINANCIAL ACCOUNTING 2

( All sections / Groups )

1 MARCH 2019  
9.00 am – 12.00 pm  
(3 Hours)

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#### INSTRUCTIONS TO STUDENT

1. This Question paper consists of 6 pages with 4 questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

**QUESTION 1**

Kathy Spade Berhad is a merchandise company that buy and sells imported handbags. At the beginning of the month, their inventory had a total cost of RM150,000 which consisted of 300 units of handbags. The selling price of the handbag is RM800 each. During the month of June 2018 the following merchandising transactions occurred:

|      |    |  |
|------|----|--|
| June | 3  | Sold 60 handbags to Prado Enterprise on credit terms 2/10, net 30, FOB destination. The appropriate party also made cash payment of RM115 for freight charges on this day. |
|      | 6  | Purchased 50 handbags for RM450 each from Jojo Berhad, credit terms 3/10, n/30, FOB destination.   |
|      | 11 | Returned 1/5 of the defect handbags to Jojo Berhad which purchased on 6 <sup>th</sup> June 2018.   |
|      | 14 | Received half of cash payment from Prado Enterprise.   |
|      | 15 | Paid the amount owed to Jojo Berhad in full.   |
|      | 19 | Received 3 defect handbags from Prado Enterprise (cost is RM1,500).  |
|      | 22 | Sold 178 handbags to Fenda Berhad for RM142,000, terms 5/10, n/30, FOB shipping point. The cost of the handbags is RM500 each.   |
|      | 24 | Received payment in full from Prado Enterprise for remaining balance.  |
|      | 26 | Granted an allowance of RM240 to Fenda Berhad due to scratch on the handbags.  |
|      | 28 | Purchased 90 handbags of RM480 each, on credit from Tods Berhad, FOB shipping point.   |
|      |    | Paid freight charges of RM150 to shipping company.   |
|      | 29 | Received payment in full from Fenda Berhad by cheque.  |
|      |    | Paid the amount owed to Tods Berhad in full.   |

**Instructions:**

- Prepare the necessary journal entries to record the above transactions, assuming Kathy Spade Berhad uses a perpetual inventory system. Omit explanation. (18 Marks)
- Prepare the T-account for merchandise inventory. (5 Marks)
- List any **TWO (2)** characteristics of perpetual inventory system. (2 Marks)

**[TOTAL 25 MARKS]****Continued...**

**QUESTION 2**

Home Expert Enterprise is a small size company that buys and sells various home equipment. Due to recent natural disaster, Home Expert unable to keep complete accounting records. However the company able to provide following information:

|                               | 1 January 2017<br>(RM) | 31 December 2017<br>(RM) |
|-------------------------------|------------------------|--------------------------|
| Inventory                     | 8,400                  | 18,900                   |
| Accounts receivable           | 12,400                 | 16,048                   |
| Accounts payable              | 7,440                  | 10,000                   |
| Motor vehicle                 | 40,000                 | -                        |
| Equipment                     | 26,000                 | -                        |
| Accrued motor vehicle expense | 1,680                  | 1,444                    |

The company also provided the following summary of their cash account for the year ended 31 December 2017.

| <b>Cash</b>              |                |                           |                |
|--------------------------|----------------|---------------------------|----------------|
|                          | (RM)           |                           | (RM)           |
| Balance as at 1 Jan 2017 | 14,600         | Payments to creditors     | 96,560         |
| Receipts from debtors    | 170,520        | Telephone                 | 2,040          |
| Cash sales               | 17,000         | Electricity               | 6,120          |
|                          |                | Advertising               | 4,600          |
|                          |                | Rent                      | 10,000         |
|                          |                | Equipment                 | 12,400         |
|                          |                | Insurance                 | 3,400          |
|                          |                | Motor vehicle expenses    | 9,364          |
|                          |                | Drawings                  | 48,400         |
|                          |                | Balance as at 31 Dec 2017 | 9,236          |
|                          | <u>101,060</u> |                           | <u>101,060</u> |

The following additional information is available:

1. Included in the amount paid for Equipment were: dining table bought for RM2,400 which had been resold during the year at the same price; and a coffee table that cost RM1,400, for the owner's personal use.
2. Motor vehicle is to be depreciated at 20% and Equipment at 10%, calculated on the book values as at 1 January 2017 plus addition during the year.
3. At 31 December 2017 insurance paid in advance was RM920.

**Instructions:**

- (a) Prepare the Statement of Affairs as at 31 December 2016 (4.5 Marks)
- (b) Prepare the Purchases and Sales Ledger Control accounts 31 December 2017. (2 Marks)

**Continued...**

- (c) Prepare the ledger for any prepayments or accruals. (2 Marks)
- (d) Prepare the Statement of Comprehensive Income for the Year Ended 31 December 2017. (7.5 Marks)
- (e) Prepare the Statement of Financial Position as at 31 December 2017. (9 Marks)
- [TOTAL 25 MARKS]**

### **QUESTION 3**

#### **Part A**

In general, receivables can be defined as an amounts due from individuals and other companies that are expected to be collected in cash.

#### **Instructions:**

Briefly explain any **TWO (2)** types of receivables. (4 Marks)

#### **Part B**

Bugaboo Company supplies baby gear to retailers in Klang Valley. On 1 April 2016, Bugaboo account receivable amounting RM50,000 and allowance for doubtful accounts RM4,200. Below are transactions occurs during the year.

|         |   |
|---------|---|
| May 2   | Sold RM24,000 of merchandise to Avent Enterprise, terms n/30.   |
| June 15 | Accepted RM24,000, 3 month, 9% promissory note from Avent Enterprise for the balance due.                                 |
| 24      | Sold RM32,800 of merchandise to Tollyjoy Company and accepted RM32,800, 4 month, 6% note for the balance due.             |
| Sept 15 | Collected from Avent Enterprise note in full.   |
| Oct 24  | Tollyjoy Company dishonors its note of June 24. It is expected that Tollyjoy Company will eventually pay the amount owed. |
| Nov 1   | Loaned RM12,000 to Nuna Trading on a 60 day, 10% note.  |
| 30      | Assumed accrued interest revenue on the Nuna Trading note on this date.   |
| Dec 30  | Collected the Nuna Trading note at maturity.  |

#### **Instruction:**

Journalize the above transactions for Bugaboo Company. Omit explanations. (10 marks)

**Continued...**

**Part C**

Grabfud Enterprise used to be among the best food delivery company in town which serve individual or corporate customer. Due to tight competition and low demand from customers, Grabfud recently sold 2 motor vehicles during the year 2017. The detailed on the motor vehicle are as below:

| Motor Vehicle | Cost (RM) | Date Purchase | Useful Life | Salvage Value (RM) | Date Sold | Sales Price (RM) |
|---------------|-----------|---------------|-------------|--------------------|-----------|------------------|
| 1             | 32,000    | 1/7/13        | 5 years     | 2,000              | 1/7/17    | 6,750            |
| 2             | 60,000    | 1/7/16        | 5 years     | 10,000             | 31/12/17  | 104,000          |

For motor vehicle 1, the company uses straight line method while for motor vehicle 2 uses double declining method.

**Instructions:**

Calculate the depreciation expense and accumulated depreciation on each motor vehicle up to the date of disposal by using a table format. Show all workings.

(11 Marks)

**[TOTAL 25 MARKS]****QUESTION 4****Part A**

Following are the comparative statement of financial position for Soll Berhad.

| SOLL BERHAD                                 |                |                |
|---|----------------|----------------|
| Comparative Statement of Financial Position |                |                |
| As at 31 December 2017                      |                |                |
|   | 2017           | 2016           |
| <u>Assets</u>                               | (RM)           | (RM)           |
| Cash  | 74,800         | 90,800         |
| Accounts receivable                         | 98,800         | 89,200         |
| Investments                                 | 100,000        | 64,000         |
| Equipment                                   | 236,000        | 280,000        |
| Less: Accumulated depreciation              | (58,000)       | (40,000)       |
| Total                                       | <u>451,600</u> | <u>484,000</u> |

**Continued...**

**Liabilities & Stockholder's Equity**

|                   |                |                |
|-------------------|----------------|----------------|
| Accounts payable  | 54,400         | 44,400         |
| Bonds payable     | 24,000         | 120,000        |
| Common stock      | 200,000        | 180,000        |
| Retained earnings | 173,200        | 139,600        |
| Total             | <u>451,600</u> | <u>484,000</u> |

**Additional information:**

1. Net income was RM70,800. Dividends declared and paid were RM37,200.
2. Equipment which cost RM44,000 and had accumulated depreciation of RM8,000 was sold for RM16,000.
3. All other changes in non-current account balances had a direct effect on cash flows, except the change in accumulated depreciation.

**Instruction:**

- (a) Prepare the Statement of Cash Flows for the year 2017 using the indirect method. (10 Marks)
- (b) Calculate the company's free cash flow for the year 2017. (2 Marks)

**Part B**

Below are the transactions that occurs during the year 2017 for Mok Berhad.

|   |   |
|---|---|
| 1 | Purchased a machine for RM100,000 giving a long-term note in exchange                             |
| 2 | Issued RM160,000 par value common stock for cash  |
| 3 | Issued RM600,000 par value common stock upon conversion of bonds having a face value of RM600,000 |
| 4 | Sold long-term investment with a cost of RM42,000 cash  |
| 5 | Amortization of patents   |
| 6 | Payment of interest amounted RM3,400 on notes payable   |
| 7 | Declared and paid a cash dividend of RM50,000   |
| 8 | Collected RM34,000 of accounts receivable   |
| 9 | Retirement of bonds amounted RM110,000 cash   |

**Continued...**

**Instruction:**

Identify the correct cash flow activities related to each of the above transactions. The cash flow activities may fall under operating activities, financing activities, investing activities, or may combine non-cash investing and financing activities. (9 Marks)

**Part C**

- (a) There are three main activities in preparing the Statement of Cash Flow which are operating, investing and financing activities. What is the difference between Investing and Financing activities? (2 Marks)
- (b) Cash flows from operating activities can be calculated using the indirect or direct method. List **TWO (2)** reasons why companies favour the indirect method. (2 Marks)

**[TOTAL 25 MARKS]**

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